

# NEWS RELEASE



FOR IMMEDIATE RELEASE

## Eagle Energy Inc. Files Management Information Circular for Annual General Meeting

### ***Board of Directors Unanimously Recommends that Eagle Shareholders vote the YELLOW form of proxy FOR Eagle's Director Nominees***

**Calgary, Alberta** - May 25, 2017 (TSX: EGL): Eagle Energy Inc. ("**Eagle**") announced today that it has filed and is mailing a management information circular dated May 23, 2017 in connection with Eagle's annual general meeting of its shareholders. The AGM is scheduled to be held at 10:00 a.m. (Calgary time) on Tuesday, June 27, 2017.

Eagle's Board unanimously recommends that Eagle shareholders vote FOR the current Board, David Fitzpatrick, Richard Clark, Warren Steckley and Bruce Gibson.

Eagle's Board urges Eagle shareholders to read the Letter to Shareholders (reproduced below) and Eagle's management information circular. Eagle's management information circular is available on Eagle's website at [www.EagleEnergy.com](http://www.EagleEnergy.com) and under Eagle's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com). It is being mailed to shareholders of record as of May 23, 2017.

The deadline to vote by proxy is 10:00 a.m. on June 23, 2017. Eagle's shareholders are urged to vote ONLY the **YELLOW** form of proxy or voting information form in favour of Eagle's current Board well in advance of this deadline.

Laurel Hill Advisory Group is acting as Eagle's proxy solicitation agent in connection with the AGM. If you have any questions or require any assistance in voting your shares, please call Laurel Hill toll free in North America at **1-877-452-7184** (or collect outside North America at 1-416-304-0211) or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com). Also, please visit Eagle's website at [www.EagleEnergy.com](http://www.EagleEnergy.com).

***The full text of Eagle's Letter to its Shareholders included in the meeting materials is as follows:***

May 23, 2017

Dear Fellow Shareholders,

You have an important decision to make at Eagle's annual general meeting this year. It will determine Eagle's future and the value of your investment.

You are being asked to choose between two opposite visions for Eagle's future:

<u>Our Vision</u>
✓ Execute Eagle's strategic growth plan
✓ Develop our North Texas assets
✓ Maximize shareholder value

OR

<u>Dissidents' "Vision"</u>
• A vague plan to sell Eagle's assets into a depressed market
?... and then what...?

**This is an important meeting and every vote is crucial.**

**Vote the **YELLOW** Proxy today to choose our vision.**

### **Eagle's Strategic Growth Plan**

We have an exciting strategic growth plan that includes the development of our North Texas asset.

We have been working for over two years to put all of the pieces in place to execute this growth strategy. We started with technical subsurface work to develop our drilling plan and then quietly leased over 24,000 acres in North Texas. Our North Texas asset is a development drilling project with solid well control and production history. **It is completely aligned with Eagle's core competencies and successful track record of horizontal well development.**

This year, we also closed a refinancing, which gives us sufficient capital and the time to do our work despite volatile commodity prices. We believe Eagle's assets and financial partnership with our lender provide a solid foundation to execute our drilling plan.

Eagle's Board and Management believe that the best way to maximize the value of Eagle's shares is to continue with our growth strategy on our best opportunities rather than liquidate the assets into a depressed market.

Eagle has assembled high quality assets. We are well-positioned to benefit from a rebound in oil prices.

- ✓ **North Texas development with over 24,000 acres and 218 potential horizontal drilling opportunities**
- ✓ **Stable asset base with low declines**
- ✓ **High percentage of production is oil**

### **Eagle's Highly Respected and Trusted Directors**

Your directors, David Fitzpatrick, Richard Clark, Warren Steckley and Bruce Gibson possess the expertise required for Eagle to execute its strategic growth plan.

- ✓ **Experienced**  
Messrs. Fitzpatrick, Gibson and Steckley each have over 35 years' experience in the oil and gas industry. Mr. Clark has over 27 years' experience. Over the past 20 years, they have served as directors of many public oil and gas companies, both large and small. They have solid energy sector experience in both Canada and the United States; a MUST to guide Eagle and achieve the best outcome for its shareholders.
- ✓ **Knowledgeable**  
They have in-depth knowledge of Eagle's assets, operations, personnel and history on both sides of the border.

### **Dissidents' Inexperienced Nominees and Questionable Plan**

Given Eagle's valuable assets and growth opportunities, it is easy to see why the dissidents, Kingsway Financial Services Inc. and Daniel Gundersen, want to gain control of Eagle's Board. **But, with their inexperience and lack of understanding of the U.S. oil and gas industry, we believe they will fail to achieve Eagle's full potential.**

- **Their "plan" provides no concrete ideas.**  
Their "plan" is vague; it provides no concrete ideas. They state that Eagle should sell its assets, reduce debt and cut costs. They offer no value proposition and will be selling off Eagle's premium assets into a depressed market. They simply do not understand Eagle's assets, particularly the assets in Texas and Oklahoma.

- **If they win, then an immediate Event of Default will be triggered under Eagle's loan.**

**Their change to Eagle's Board will trigger an event of default under Eagle's loan.** This standard market term entitles the lender to call the loan immediately. If the condition is not waived by the lender, it will require Eagle to find some means to repay the lender \$CA 78 million of loan principal and \$CA 11 million of make-whole and repayment fees or face bankruptcy.

The dissidents contacted our lender. Our lender told us that they will not communicate with the dissidents and will not amend the lender's rights under the loan agreement to accommodate the dissidents' plan. **The dissidents know this and have offered no alternative but to sell Eagle's premium assets in a distressed situation of their own making.** We do not understand how this makes any sense.

- **They have no experience in the U.S. oil and gas industry.**

Their nominees have no experience buying, selling, drilling or operating oil and gas assets in the U.S., where more than half of Eagle's assets, operations and value exist.

- **They lack the depth of experience as Eagle's directors.**

Half of the nominees have less than two years of public company director experience. One has never worked for an oil and gas company. NONE have served as a director of a cross-border public oil and gas company like Eagle.

### **Dissidents' Ulterior Motives**

**In reality, this is a hostile takeover disguised as a proxy battle over "shareholder concerns".**

By gaining control of Eagle's Board, Kingsway and Mr. Gundersen want to gain control of Eagle without paying YOU, the shareholders, proper consideration or a fair premium for that control.

- **Don't be fooled by Kingsway's charade as a "concerned Eagle shareholder".**

Kingsway only became an Eagle shareholder in late 2016. **It owns only 2.6% of Eagle's shares.**<sup>1</sup> We believe the bulk of Kingsway's shares were acquired in the weeks before launching the proxy battle. Eagle's Board and Management had never heard of Kingsway or its representatives until the week before it launched this proxy battle. Its objectives are short term. Its motives are suspect.

- **Don't be fooled by Mr. Gundersen's charade as a "concerned Eagle shareholder".**

Last year, Eagle's Board rejected a below-value offer for our premium Dixonville asset from Mr. Gundersen on behalf of a private oil and gas company in Alberta. We believe the dissidents have an agenda that would see their associates purchase Eagle's high quality Alberta assets in a forced sale at the bottom of the market. Three of the four nominees are directors, officers or consultants of other oil and gas companies in Alberta. The fourth is a director of a shell company that is seeking to acquire a business or assets as inexpensively as possible to complete its qualifying transaction required of a TSXV-listed capital pool company. The dissident nominees own only **1.4%** of Eagle's shares.

If Kingsway were truly concerned about Eagle's future, it would have engaged in meaningful and comprehensive discussions with Eagle's management and presented thoughtful strategies and/or acquisitions for future growth rather than trying to hold such discussions after threatening a proxy battle.

**If Kingsway wants control of Eagle, make it offer YOU a fair value premium for your shares.**

### **Eagle's Board's Commitment to Maximizing Value**

Your Board and Management team are committed to do everything in their power to maximize value for all Eagle shareholders.

<sup>1</sup> The day after Eagle printed this letter, the dissidents issued a news release in which they state Kingsway increased its ownership to 2.84%.

YOU, as a shareholder of Eagle, have the ability to:

- YES** vote FOR the re-election of an experienced Board that will act for ALL shareholders;
- NO** stop the dissidents from acquiring control of Eagle's Board at YOUR expense; and
- NO** avoid the unnecessary costs and material risk that will result from their actions.

As you prepare to cast your vote, the Board asks you to consider the potential of Eagle's strategic growth plan and the continued development of its assets.

**We urge you to support and retain the knowledge, proven technical expertise and experience of your Board and Management team.** We believe Eagle's directors possess the qualifications and experience necessary to steward Eagle and maximize shareholder value.

**Do not turn Eagle over to the dissidents and their inexperienced nominees to sell off Eagle's assets at a low point for oil prices.** By replacing Eagle's Board with the dissidents' nominees, they would control the direction of Eagle and its business. They wish to execute a vague plan that simply sells off Eagle's assets into a depressed market.

- We have real concerns about the limited experience of the dissidents' nominees in the U.S. oil and gas industry, where more than half of Eagle's assets, operations and value exist.
- We have real concerns about Kingsway's motives. We believe Kingsway simply wants to gain control of Eagle, without paying YOU a fair premium for your shares.

Regardless of the number of shares you own, you should take immediate action and cast your vote today by completing and returning the **YELLOW PROXY**.

We are excited about the future of Eagle and appreciate your continued support.

With respect and appreciation,

Signed "*David Fitzpatrick*"

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David Fitzpatrick  
Chairman of the Board

Signed "*Richard Clark*"

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Richard Clark  
Chief Executive Officer

**As you prepare to cast your vote, the Board asks you to consider the very real concerns regarding the dissidents' nominees:**

- **Whose interests do they represent? – Kingsway's or yours, the shareholders?**
- **What experience do they have to steward Eagle?**
- **What really is their plan? Who gains by selling off Eagle's assets in a depressed market?**

## About Eagle Energy Inc.

Eagle is an oil and gas corporation with shares listed for trading on the Toronto Stock Exchange under the symbol "EGL".

All material information about Eagle may be found on its website at [www.EagleEnergy.com](http://www.EagleEnergy.com) or under Eagle's issuer profile at [www.sedar.com](http://www.sedar.com).

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### Note about Forward-Looking Statements

*Certain of the statements made and information contained in this news release are forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historic fact are forward-looking statements. Eagle cautions investors that important factors could cause Eagle's actual results to differ materially from those projected, or set out, in any forward-looking statements included in this news release.*

*In particular, and without limitation, this news release contains forward-looking statements pertaining to Eagle's AGM, Eagle's strategic growth plan including the North Texas opportunity and the expectation that Eagle's financing will help it execute its strategic plan, the dissidents' plans and concerns regarding the dissidents' plans and nominees.*

*With respect to forward-looking statements contained in this news release, assumptions have been made regarding, among other things: future crude oil, NGL, natural gas prices, differentials and weighting; future foreign exchange rates; Eagle's 2017 capital budget, which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices and industry conditions and regulations; future production estimates and operating costs; future capital expenditures and terms of financing.*

*Eagle's actual results could differ materially from those anticipated in these forward-looking statements as a result of the following risk factors and those in Eagle's Annual Information Form ("AIF") dated March 16, 2017 for the year ended December 31, 2016, which is available on Eagle's website at [www.EagleEnergy.com](http://www.EagleEnergy.com) and on SEDAR at [www.sedar.com](http://www.sedar.com): the volatility of crude oil, NGL and natural gas prices; commodity supply and demand; fluctuations in foreign exchange and interest rates; inherent risks and changes in costs associated in the development of petroleum properties; ultimate recoverability of reserves; timing, results and costs of drilling and production activities; availability of financing and capital; and new regulations and legislation that apply to Eagle and the operations of its subsidiaries.*

*As a result of these risks, actual performance and financial results in 2017 may differ materially from any projections of future performance or results expressed or implied by these forward-looking statements. Eagle's production rates, operating costs, drilling program, 2017 capital budget, and reserves are subject to change in light of ongoing results and economic and industry conditions. New factors emerge from time to time, and it is not possible for management*

to predict all of these factors or to assess, in advance, the impact of each such factor on Eagle's business, or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

**Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur.** These statements speak only as of the date of this news release and may not be appropriate for other purposes.

#### **Note Regarding Barrel of Oil Equivalency**

*This news release contains disclosure expressed as "boe" or "boe/d". All oil and natural gas equivalency volumes have been derived using the conversion ratio of six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a boe conversion ratio of 6 Mcf:1 bbl would be misleading as an indication of value.*